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THE BRITISH WAR-TIME DAIRY PROGRAM

by

by

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PRE-WAR ENGLISH DAIRY PROGRAMS

The following very brief description of pre-war regulation of the dairy industry is set forth in order to give some impression of the degree of change involved in the institution of war programs.

1. The English Milk Marketing Schemes - The Agricultural Marketing Act of 1931 authorized the development and, with the approval of the Minister of Agriculture and Parliament, the institution of marketing schemes. All of the schemes were designed to increase returns to producers. The major provisions of a scheme, which apparently may be proposed by any interested group, together with certain brief comparisons with regulation of milk marketing in the United States, are as follows:

(a) Administration - The milk scheme is administered by a Milk Marketing Board elected by producers. There are fifteen producer representatives on the Board, twelve chosen from the eleven regions into which the country (England and Wales) is divided, three "special" representatives chosen without regard to region, and two independent members selected by the remainder of the Board. The Board system of administration is mandatory under the law, and hence is not as broad in this respect as the Agricultural Marketing Agreement Act of 1937.

(b) Producer Registration - Each producer is required to register under the scheme, unless exempted by the Board, and may not sell milk unless so registered. Under the Act of 1931, each scheme must provide penalties for evasion of the scheme by producers. Since the inception of the scheme in October 1933, to 1938, the highest level of penalties was reached in 1936-37 when fines of £10,241 (about \$40,964 at current rates of exchange) were imposed on 334 producers.

(c) Regulation of Terms of Sale - The terms of sale for any commodity, for which a scheme has been developed, may be regulated as follows:

1. Fixing the kind, grade, or variety of a commodity that may be sold. In practice, the Board has endeavored to improve the quality of milk by the payment of premiums on higher quality milk. Under the Milk Designation Order of 1922, the Ministry of Health set up certain requirements for Grade A, T.T. (tuberculin tested), and Certified milk. Since the institution of the scheme, "accredited" milk (Grade A became Accredited in 1936) has increased from about 12,000,000 to 376,585,000 imperial gallons. However, non-graded milk may still be sold for fluid consumption, and the improved qualities meet the same standards throughout the country. This is a factor of importance in considering the applicability of English dairy schemes to the dairy industry of the United States.

2. Under the Act of 1931, a scheme may provide for fixing the prices at which products may be sold. In practice, milk has been classified and priced according to use by distributors, and, prior to the war, minimum resale prices were established. Efforts to control resale prices were attempted at first by prohibition of sale below the "prevailing price" in the community, but this was found to be unworkable.

(d) Other Major Provisions - Under any scheme, the Board may buy, sell, grade, pack, store, transport, and advertise any commodity. Under the scheme, the Board has acquired manufacturing facilities for the manufacture of cheese, butter, cream, milk powder, casein, etc. At present, the Board owns and operates several manufacturing plants. This is another fundamental difference between the regulatory powers in the English scheme as compared to regulation in the United States

Other provisions of the Act pertain to the mechanics of institution of a scheme, a provision that producers must be polled and register their approval of a scheme before it can be instituted, provision for rescission of a scheme if producers desire it, etc. These provisions, while interesting, do not warrant further discussion in this report.

(e) Mechanics of Control - The basic mechanism of control under the milk scheme is the contract between producers and dealers. (Producer-distributors during the greater portion of the life of the scheme were licensed and their minimum prices were fixed by the Board.) The terms of the contract are negotiated between the Board and distributors. If they do not agree, the Board may fix prices, and if distributors are not satisfied with them, they may appeal to the Minister of Agriculture who may cause an investigation to be made for the purpose of ascertaining the facts and making final determinations. Once the contract terms are arrived at, they prevail for 12 months. It is illegal for a wholesale producer to sell milk except in accordance with the approved contract. A unique feature of English milk control is that all payments by distributors for milk are made to the Board, which then pools the returns for the country as a whole, less deductions for administration and reserves, and figures a pool price. There are eleven regional pool prices figured, and these prices vary somewhat from region to region, the variation of regional pool prices from the over-all pool price being accomplished by an Inter-Regional Compensation Fund. The Board then pays the producer for his milk. This feature unquestionably gives the English authorities much more direct control over fiscal operations than prevails under United States regulations.

Another outstanding feature of English milk control is that the Board guarantees the producer a market for his milk, and has the power to transfer milk between handlers. When producers have been cut off the market, the Board has either placed the milk with another distributor, or has processed the milk itself. In the United States, regulation does not guarantee a producer a market. It merely attempts to guarantee that he will be paid the ruling prices if he sells to a distributor

regulated by an order. In any case, any attempt to institute this feature of English milk control in the United States, other than indirectly by subsidization, would be met by united opposition of cooperatives, who consider guarantee of market to their members one of their major functions. This has not been a problem in England because of the few commodity producer associations that exist.

The power to handle milk and to allocate it among distributors is important, and the lack of this power in the United States has led to some of the most perplexing problems even in peace time. In war time, lack of power to allocate milk among distributors results in inability of the Government to insure proper utilization of milk, with the result that one distributor may put his surplus into butter, while another is short of fluid milk. In general, sound national policy during war time should be pointed toward meeting the full demand for fluid milk first, with manufactured products taking up the remainder.

Other forms of aid to the English dairy industry include payment of subsidies on manufacturing milk, school milk, publicity, and an attempt to reduce imports by establishment of voluntary quotas, but these forms of aid will not be discussed in detail in this report.

II

WAR-TIME PROGRAMS FOR THE ENGLISH DAIRY INDUSTRY

During the war, several important and far reaching programs have been developed for the English dairy industry. These programs may be classified broadly, as follows:

1. Programs designed to sustain production of milk. This is part of over-all program of agricultural production. Rationing of feedstuffs so that dairy cattle have first call on feed, particularly concentrated feeds, is of importance, as is the grant of increased prices, and disease eradication work.
2. Control of utilization of milk produced. This is achieved by (a) encouraging consumption of fluid milk through the milk in schools scheme, the national milk scheme, priority distribution of liquid milk, and (b) orders of the Ministry of Food prohibiting or restricting the use of milk in many manufactured dairy products and in baking, etc.
3. Control of consumer off-take, i.e., rationing, of butter, cheese, evaporated and condensed milk, and other manufactured dairy products whether imported or of domestic production.
4. Price control - a part of the over-all system of price control.

5. Schemes designed to conserve man-power, trucks and tires, and gasoline, i.e. the "rationalization" of transport.

These schemes are described below.

1. Milk Prices and Price Control - Before the war, liquid milk prices under the Milk Marketing Scheme were determined by negotiations between producers represented by the Milk Marketing Board and distributors, and the return to the producer under the scheme depended upon the quantity of milk which was sold for liquid consumption and that which was sold at a much lower price for manufacturing purposes. In addition, the Board specified minimum retail prices for various areas according to size of population and minimum margins for re-sale of milk at wholesale and semi-wholesale as a part of the contract and the retail license. However, retail prices varied widely as between localities because of variations in costs of distribution and in producers' prices prevailing in different areas.

Within a month after the outbreak of war, prices of a large number of major foodstuffs were controlled under standstill orders (orders designed to hold prices at some past level), but liquid milk (milk sold as milk for human consumption) prices were not the subject of control until early in 1940.

(a) Price Control Prior to October 1, 1942 - On January 31, 1940, the Ministry of Food prescribed a schedule of maximum retail prices^{1/} for liquid milk as follows:

	Ordinary milk (pence per quart)	T.T. milk
England and Wales:		
Urban areas under 10,000 population and rural areas	6	7
Urban areas between 10,000 and 25,000 population	7	7½
Other areas	7	8
Scotland	6	7

This action resulted in no appreciable change in the price of milk for most areas.

Dairymen objected to this method of fixing maximum retail prices according to population in urban and rural areas, and the schedule of maximum retail prices was revoked after being in effect only 8 days. In its place, the Ministry of Food provisionally substituted another basis for establishing prices by fixing maximum

^{1/} S.R. & O. No. 150, The Milk (Retail Maximum Prices) Order, 1940. All figures relating to volume and price in this report are stated in terms of British measures and money.

retail prices of all grades at the level prevailing for such milk during the week ending December 31, 1939.^{1/} This new plan was not entirely satisfactory; it made no provision for the normal seasonal variation in prices in different sections of the country. In many rural areas and small provincial towns, the price of milk declines seasonally during the period February-September/November, while in other provincial centers, the seasonal decline covers only May and June. In parts of southeast England, prices remain the same throughout the year. Consequently, in a new prices order on April 30, 1940, maximum retail prices were fixed at the price prevailing for the same kind of milk in the same district on the corresponding date in 1939.^{2/} The maximum retail prices set under this order were simultaneously enforced as maximum prices by the Ministry of Food and as minimum prices by the Milk Marketing Board. By subsequent amendments and announcements, increases over corresponding 1939 prices have been allowed in line with increased costs of production and distribution.

Table 1 shows the trend of retail prices of milk over the period 1939-42. While retail prices are about 33 percent above 1938 levels, there has been no change other than seasonal from January, 1941, to September, 1942.

(b) Price Control Under the Milk Supply Scheme After October 1, 1942 - Under the revised system of marketing which came into operation on October 1, 1942, maximum wholesale prices of ordinary milk were established at 2s.1d. per gallon in bulk and 2s.3d. per gallon when sold in bottles or prepacked containers; and the maximum retail price at 3s. per gallon, except that during May and June the maximum retail price will be 2s.8d. in certain specified rural areas and small towns. Maximum prices on intermediate sales, that is sales to a retailer whose daily purchases do not exceed 8 gallons, were set at 2s.6d. per gallon in bulk (2s.2d. in certain areas during May and June), and 2s.8d. per gallon in bottles or other containers. All of these prices apply to pasteurized as well as non-pasteurized milk, but not to specially designated milk such as accredited milk, Channel Islands milk, homogenized milk, kosher milk, sterilized milk and tuberculin-tested milk. For these special milks, increases over corresponding 1941 prices were allowed in an amount equal to the price increase for ordinary milk between corresponding periods in 1941 and the present time.

Under the new arrangement, every distributor buys his milk from the Ministry of Food instead of from individual producers as heretofore, and pays the Ministry 2s.1d. per gallon whether he is a retailer, wholesaler or depot proprietor. In the case of a distributor who obtains milk direct from a producer and who furnishes cans, an additional allowance of 1/4d. per gallon is permitted.

^{1/} S.R. & O. No. 197, The Milk (Provisional Retail Prices) Order, 1940.

^{2/} S.R. & O. No. 638, The Milk (Provisional Retail Prices) (England and Wales) Order, 1940.

In the past, distributors paid special premiums for level delivery or other services from producers, but now that the Ministry of Food guarantees the quantity of milk needed to meet the requirements of his registered customers, the distributor will no longer need to pay these special premiums. A winter milk bonus plan under which not less than 4 pence per gallon would be paid farmers whose output during November 1942-March 1943 exceeded production for those months in 1941-42 was proposed to the Ministry of Food as a means of stimulating winter production and to mitigate producers' grievances for the loss of level delivery and special service premiums; but this plan was rejected by the Ministry in November 1942. Distributors may continue to pay quality premiums to farmers for producing special milks such as accredited milk or tuberculin-tested milk, and may continue to receive that special milk as long as the arrangement does not conflict with any plans for rationalizing transport.

Prior to the new milk scheme, the return the producer received, the pool price, depended upon the quantity of milk sold for liquid consumption and that sold at lower prices for manufacturing purposes. Milk producers are now guaranteed a market for all milk produced, and at levels calculated to be remunerative. A schedule of prices to be paid throughout the year has been worked out, and a much higher price is paid for milk produced during the winter months than during the summer months. Prices paid to producers in England and Wales by the Milk Marketing Board during 1942-43 will vary from 25³/₄d. to 31³/₄d. per gallon depending on the area and the month in which the milk is produced. Table 2 shows the annual prices to producers per gallon for liquid milk, manufacturing milk, and blended or pool prices from 1933-34 to 1941-42, and Table 3 shows the prices to be paid, by regions and by months October 1942 to March 1943.

(c) Margins in Milk Distribution - Costs of distribution of milk have been the subject of much discussion and several investigations have been made in recent years, however little has been done to rationalize the basis upon which the distributor is compensated for the service rendered. The margin between the price received by the producer and that paid by the consumer covered varying services rendered by different types of distributors. In some cases the services rendered were quite extensive and the mechanism of distribution quite complex; in others, just the reverse.

Under the present system of milk distribution, remuneration to distributors is based upon the service each renders, and as a result of an extensive costing (accounting) investigation, a schedule of permitted margins has been determined. Retailers in London are allowed a margin of 1ld. per gallon and those in the provinces 10¹/₃d. per gallon. Depot proprietors are allowed 1.30d. per gallon on the first 1¹/₂ million gallons of annual throughput, 1.25d. on the second 1¹/₂ million gallons and 1.10d. on the remainder. Wholesalers, other than depot proprietors, selling

milk to retailers are allowed 2d. per gallon of milk handled.

The problem of double margins arises in the case of distributors performing both the wholesale and the retail function. In such cases, the distributor is allowed to receive the full retail margin, but only a part of the wholesale margin. The wholesale allowance varies in accordance with an estimate of the wholesale service performed and the following rates not prevail for wholesaler-retailers with intakes of:

750- 999 gallons	-	3/4d.	per	gallon
1,000-1,249	"	-	1d.	" "
1,250-1,499	"	-	1 1/4d.	" "
1,500 and over	-	1 1/2d.	"	" "

These rates of remuneration will be effective for a period of six months. During this period, a new costings investigation will be made, incorporating the effects of savings resulting from the rationalization of retail distribution.

In explanation of its policy in fixing margins for wholesaler-retailers, the Ministry has indicated that it has not laid down the principle that the larger the firm the greater the trade margin, but that the allowance to firms undertaking both the retail and the wholesale function shall be less than the aggregate of margins for wholesalers and retailers separately, and that such wholesaler-retailers will be allowed a varying margin for these services according to the gallonage handled, as the cost of the service increases with the size of the area served. The view is held that these new arrangements will have no adverse effect upon either small distributors of milk or on producer-retailers. The payment of larger margins as volume increases in case of retailers who also perform the wholesale function has been subject to serious attack.

Lack of time has precluded the analysis necessary to an objective and independent appraisal of the position of small as compared to large distributors under the scheme.

2. Rationalization Schemes - Under the Memorandum on Milk Policy^{1/} announced May 26, 1942, the development of rationalization schemes was stated to be an integral part of Government policy. As in the United States, farm collection and retail distribution in England were characterized by a great deal of overlapping in the milk collection and delivery functions, with consequent waste of manpower, trucks, gasoline, and tires. These items were so short in England that obviously it was only a question of time until something would have to be done to conserve them. Accordingly, effective October 1, 1942, the development of conservation schemes in milk transport became mandatory. The schemes are described below.

^{1/} Memorandum on Milk Policy, Cmd. 6362, May, 1942. (H.M.S.O.).

(a) Farm Collection Rationalization - Under the pre-war Milk Marketing Scheme, the contract between producers and distributors, to which the Milk Marketing Board was a third party, provided for the shifting of producers among distributors. However, in conference with Board officials, it was pointed out that little was accomplished under this arrangement, due to opposition from producers, etc. Under the program made effective October 1 of this year, the Milk Marketing Board becomes the sole owner of milk as delivered from farms, and is responsible for its collection and delivery to plants where ordered by the Ministry of Food. The Ministry of Food then own it until sale to distributors. This arrangement results in the Board having all the contracts with producers, hence makes imposition of a conservation scheme at the farm collection end fairly simple.

The conservation scheme that has been developed involves the transfer of producers between distributors when this will result in saving of transport. No alternative scheme has been developed, although under this scheme it is expected that some plants will be closed, and other combined. However, this is incidental to and not a necessary part of the scheme.

The mechanics of the development of conservation schemes are as follows:

(1) The Regional Marketing Officers in charge of the regional offices of the Milk Marketing Board were instructed as to the policy of the Ministry of Food and the Board, and were instructed to submit a general plan or plans under the policy for the approval of a committee composed of officials of the Board and the Ministry of Food (Rationalization Committee). No limits as to size of area to be rationalized are imposed, except that no regional officer could develop a scheme covering more than his region, but it is suggested that the officer start in a small area until he learns how to do the job. The officer may later work out and fit these local schemes into a region-wide scheme. (There are 11 regions in England and Wales.)

(2) The regional officer then develops the general plan, in reality merely a listing of the firms to be affected, proposed tentative areas, and a map showing present distributor affiliation with producers. This general proposal is submitted to the Rationalization Committee noted above for approval.

(3) The Rationalization Committee either approves or disapproves the general plan, and gives appropriate instructions to the regional officer to prepare the detailed plan, or not, as the case may be.

(4) If the general plan is approved, the regional officer and a local rationalization committee composed of producers and distributors prepare the details of the plan. This involves (1) listing the producers to be transferred, their contract numbers, volume, etc., necessary because the Board is their buyer; (2) detailed maps showing current affiliation of producers; (3) detailed maps showing proposed affiliation of producers, and (4) statistics showing pre-scheme mileage, trucks, gasoline used, labor, estimates for such matters after imposition of the scheme, and indicated savings. This detailed scheme is then submitted to the Rationalization Committee. If the Committee approves, it orders completion of the scheme. In switching producers from one dairyman to another, effort is made to substitute producers with equal volumes and conditions of production.

(5) Completion of the scheme involves contacting all interested parties and explaining the scheme. During the course of this operation, objections may be raised and modifications suggested. If the objections are sustained, or suggested modifications appear proper, the plan is modified. Whether modified or not, the plan is then re-submitted to the Committee. If objectors are not satisfied, they may at this point appeal to the Committee, stating their objections and alternative schemes. These matters are then considered by the Committee, and the plan either finally approved or modified. In either case, it is returned to the regional officer with instructions to put the plan as finally approved into effect immediately.^{1/}

Inasmuch as the program was only instituted October 1 this year, and due to the long procedure involved in setting up and securing approval of a plan of conservation, not many such plans are in actual operation at this time. However, the Board indicates that rapid progress is being made, and they expect to have a large number of plans in operation by January 1, 1943. No figures are available as yet respecting savings in mileage, etc., but they unquestionably are quite large.

Several factors make a plan such as that described here easier to institute than in the United States, these being:

(1) All milk is sold by milk producers to the Milk Marketing Board

^{1/} Joint Advisory Committees are established in each region, composed of representatives of the Ministries of Food, War Transport, Milk Marketing Board, milk buyers, and milk haulers. This Committee advises and passes upon local committee plans prior to their submission to the Rationalization Committee.

(2) All farm to plant transport is performed by the Board. On October 1 the Board took over all farm to plant hauling. The Board has developed a standard farm to plant hauling contract, the Board and haulers being parties. This contract will be described in detail in a later report, and needs no further reference here. At present, rates prevailing as of October 1 have been largely accepted by the Board because of the necessity of assuring no break in hauling operations, but the Board has the right to review the rates, recapturing any money resulting from payment of rates that at present may be inflated, or paying out additional sums to haulers if October 1 rates appear to be too low. It should be noted that a petition to increase rates was under consideration at the time the new transport plan was put into effect.

(3) The Ministry of Food purchases all milk from the Milk Marketing Board at point of delivery, and specifies the delivery point.

(4) The systems of consumer registration and priority regulation of milk consumption have resulted in there being available accurate figures on consumption in each area from each distributor.

(5) The extreme shortage of manpower, gasoline, and rubber has made such schemes more acceptable to producers and the public.

(6) Although not apparent on the surface, there is a great deal of work done on the details of the plans by local committees. This seems imperative in such a program.

(7) Every producer of milk must be registered with the Board, and it is illegal to sell milk in violation of the orders of the Board.

(b) Retail Rationalization Schemes - From time to time there has been considerable agitation in England, both in the press and in Parliament, for some sort of conservation scheme to be applied to the distribution of milk. In the "Memorandum on Milk Policy" previously referred to, the Ministry of Food stated in broad outlines its policy with respect to retail distribution, which may be summarized as follows:

(1) All dairymen (distributors) serving any locality of over 10,000 population must form a war-time association for the distribution of milk in the area, with strict regard to economical use of transport and manpower. Three months' time from the 1st of June was allowed for presentation of schemes to the Ministry.

(2) All such schemes must provide for allocation of business on a basis proportionate to that of the individual firm prior to the establishment of the association.

(3) Any such schemes are for the duration of the war only. (However, in instructions issued by the Ministry of Food concerning formation of war-time associations, dissolution at the close of the war is not mandatory.)

(4) With certain exceptions noted elsewhere in this report, consumers do not have the right to transfer their purchases between distributors.

(5) Where a substantial majority of the distributors promote a scheme, and the Ministry is satisfied that the scheme is desirable, the Ministry will take steps to impose the scheme on the minority.

(6) If the distributors fail to develop a scheme, the Minister of Food will introduce and enforce a scheme.

The broad policy outlined above has been implemented in operational detail by the issuance of numerous suggestions by the Ministry of Food as to means of effectuating the policy. These "suggestions" actually appear to be more in the nature of "directives" of the Ministry of Food.

1. Dairymen's war-time associations - The major task of developing rationalization schemes devolves upon the war-time associations of distributors which have been or are being established by order of the Ministry of Food in each rationalization scheme area. The general structure and functions of these associations are as follows:

(a) Functions: "To give effect to the Government's proposals regarding the rationalization of the distribution of milk ... the Association shall submit to the Ministry of Food a scheme for the rationalization of the retail distribution of milk and ... shall operate a scheme of rationalization approved by the Ministry of Food" 1/

(b) Membership: All distributors in the scheme area shall be admitted to membership in the Association upon application. Such membership will be a condition for holding of a license to trade in milk from the Food Control Committee. 2/

1/ D.M. 2, Ministry of Food, Rationalization of the Retail Distribution of Milk, June 19, 1942.

2/ For details as to the Food Control Committees see V.J. Tereshenko, Organization of War-Time Food Control in the United Kingdom, Tentative report of the Program Appraisal Division.

(c) Executive Committee: The Association shall elect an Executive Committee, which has power to conduct the affairs of the Association. This committee shall include at least one member representing each of the following:

1. Producer-retailers.
2. Purchasing distributors trading on their own account (similar to so-called "independent distributors" in the United States).
3. Large scale distributors (corporations or company businesses).
4. Cooperative societies.

The Ministry of Food indicates that the Executive Committees should be so constituted that no particular type of distributor has a clear majority on the Committee.

The Chairman of the Committee is selected by the Committee. The Committee holds office for one year, is eligible for re-election, serves without pay except "reasonable expenses", and may hire a Secretary. Each trade member of the Committee has one vote.

The Ministry of Food is represented on the Committee by the Food Executive Officer or his representative, but such Ministry representatives have no voting power.

Other features of these committees are that they:

1. May hire a staff and determine rates of pay.
2. Must keep books and records covering financial operations of the Committee.
3. Must keep the Association advised of its financial status.

(d) Voting: At general meetings of the Association's membership, which must be held at least once per year, the voting of members is proportionate to the volume of milk handled by each, except that in electing a chairman and conducting the business of the Committee, voting is on the basis of one member one vote.

(e) Subscription: The expenses of the Association are to be met by subscription from members, which is fixed at a rate determined by the Association.

(f) Minutes: The Committee is required to keep minutes of all proceedings.

(g) The Association may be discontinued after the war if in a general meeting the members so decide, or if directed to do so by the Ministry of Food. If this is done, the net assets of the Association, if any, are to be disbursed as determined by the Association.

2. Description of schemes - The Ministry of Food has from time to time issued "suggestions" for the development of different types of schemes, which are described in some detail below.^{1/}

(a) Purposes of schemes: "The general object of every scheme will be to secure within the area of the scheme the most economical distribution of milk from the point of view of manpower, transport and use of existing facilities and equipment while, at the same time, maintaining the standards of service required by law and public interest."^{2/}

(b) Principles for which schemes must provide are:

1. Daily deliveries, at least during the months April to September, inclusive;
2. Maximum possible economies in manpower and transport;
3. Maintenance and improvement of delivery of milk to schools;
4. Maximum and efficient use of existing facilities for processing and bottling milk; and
5. The use of the most efficient premises and equipment for the handling of milk.

(c) Area of schemes: For the time being, rationalization of retail distribution will be applied to urban areas with a population of over 10,000. The Ministry states, however, that the present limit should not be taken as an indication that schemes will not be developed ultimately for smaller towns or even rural districts. Special arrangements are being worked out for London because of the size and complexity of the London area.

^{1/} D.M. 3, Ministry of Food, Notes for the Guidance of Committees Concerned with the Preparation of Schemes, June 19, 1942.

^{2/} Op. cit.

(d) Scope of schemes: "Retail distribution may be defined, for the purposes of rationalization, as including all operations from the time the milk is delivered at the purchasing retailer's urban premises till the time it is delivered to the consumer. In the case of producer-retailers, the plan covers distribution from farm to consumer. 'Consumer' includes catering establishments, residential establishments and institutions, where milk is consumed on the premises. Individuals and firms providing no delivery, but selling over the counter only, are excluded from schemes of rationalization and the War-time Associations."^{1/}

(e) Types of schemes: Two major types of schemes have been suggested by the Ministry of Food, these being (1) zoning, and (2) amalgamation.

1. Zoning schemes: Under these schemes, distributors are allocated specific territories in which they may deliver milk. This involves re-allocating customers between distributors.

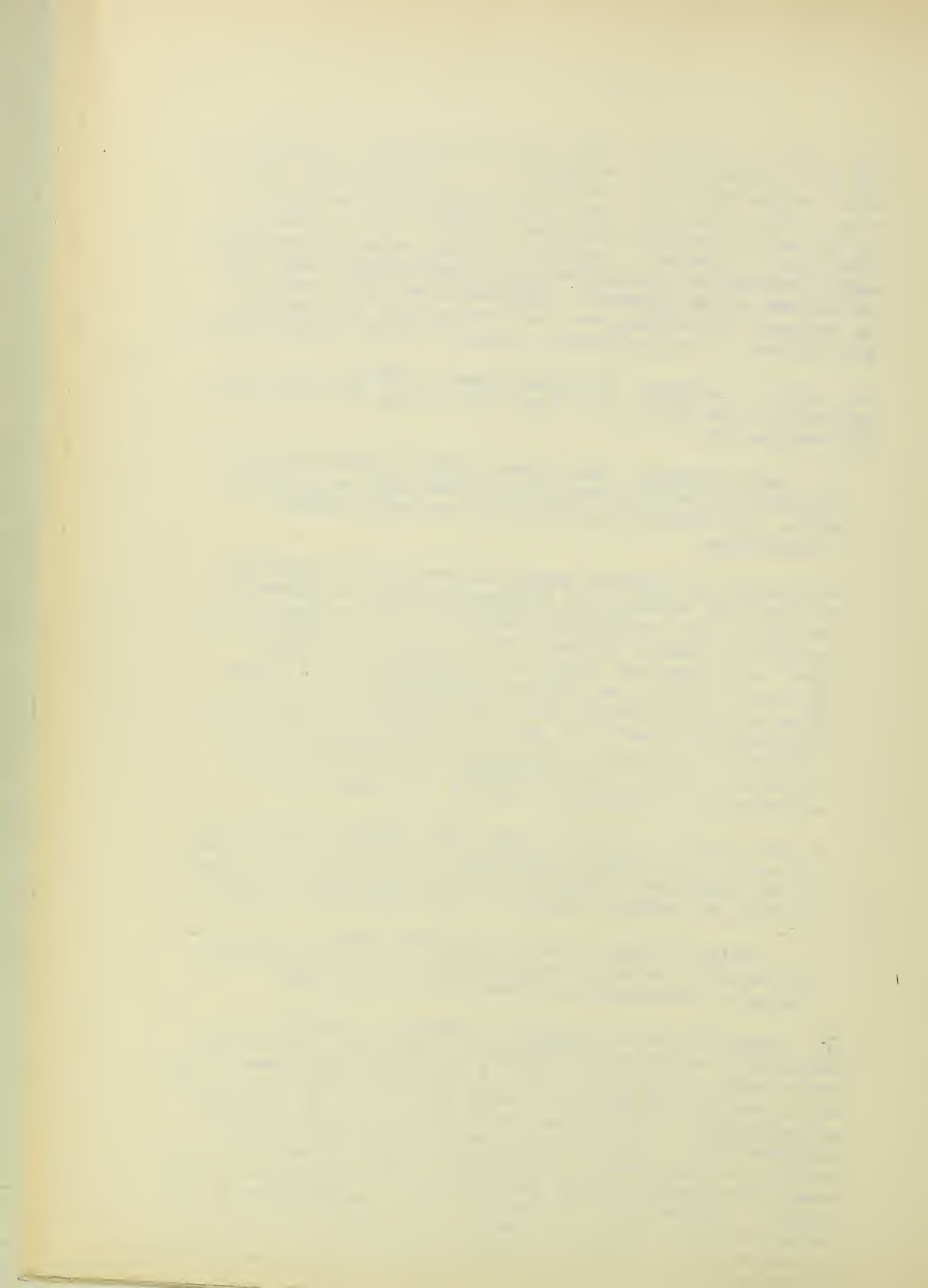
A variation in complete zoning schemes has been caused by the need for handling the problems involved in deliveries of milk by the cooperative societies. These societies are similar to consumer cooperatives in the United States, and are a very important factor in the trade in the United Kingdom. Inasmuch as consumers affiliated with a cooperative society may receive patronage dividends, there was considerable objection to being transferred to another distributor. As a result, zoning has been modified in some instances to allow two distributors, one private and one cooperative, to distribute within a particular zone.

2. Amalgamation schemes - Under this scheme, distributors may merge, the combined organization operating as the agent of the individual concerns involved in the merger, or accomplishing the outright purchase of the individual businesses.

3. Combined schemes - It is anticipated that in some areas, particularly large and complex areas, combinations of the zoning and amalgamation schemes may be worked out.

(f) Allocation and maintenance of business position: A fundamental policy of the Ministry of Food, not only in milk but in other industries as well, is that the proportionate share of the business of individual firms is to be maintained insofar as practicable. In accordance with this policy the Ministry requires that "all schemes must provide that the individual traders and firms shall be allocated a share of the trade of the area proportionate to that done prior to the introduction of the scheme. Schemes must also provide for the compensation of individuals and firms for trade done on their behalf where they are no longer able or willing to conduct business to that extent."

^{1/} Op. cit.



What this really amounts to is that dealers whose businesses are adversely affected relative to their pre-scheme position are entitled to receive remuneration based on the average net profit per gallon of all milk handled in the scheme area, even if they have gone out of business. This is to be accomplished by a system of levies and payments as needed. To an outsider, this is one of the most astonishing features of the English scheme, and it is difficult to foresee how it will work out. It hardly seems possible that a scheme of equalizing profit can be a success. On the other hand, it is to be remembered that under a system of heavy taxation such as the English have imposed, the barrier to equalizing profits may not be as great as might be supposed at first view.

(g) Results of operations: The policy on rationalization announced on May 26, 1942,^{1/} has been rather rapidly effectuated. The Milk Movements Branch was established in the Ministry of Food and started operation around July 1, 1942. As of November 14, out of a total of about 513 areas of 10,000 or more population, 372 schemes have been submitted, and 217 of these have been approved by the Divisional Food Officer. (These data are not for general release at the present time.) Approval of this officer in most cases appears to be tantamount to approval by the Ministry of Food. Statistics are not available showing how many schemes are in actual operation. The Ministry of Food has caused a questionnaire to be issued which will give this information, and returns of these questionnaires are due shortly. Neither are figures showing estimated savings under the schemes available, but the savings are known to be quite significant. The Ministry of Food has developed forms, etc., for reporting such data, and as soon as the plans are in operation they will begin to become available. The Ministry feels that most of the areas will have their plans in operation around January or February

3. Distribution of Milk to Consumers - Distribution of liquid milk to consumers is controlled, although not under the ordinary rationing scheme applying to meat, fats, bacon, tea, cheese, and sugar, in which each person is allowed a fixed amount of food for a given period. With certain minor administrative exceptions, all consumers (individuals, institutions, and establishments) are required to register with a retailer and get their milk only from him. Milk supplies are allocated to retailers in accordance with their certificates of requirements, that is, on the basis of the number of registered customers and the amount of milk allowed each class of consumer. The Milk Division of the Ministry of Food directs distribution of milk in such a way that each distributor receives the quantity needed for his requirements. Retailers must now restrict sales to the quantity authorized by the Milk Supply Scheme, and must purchase from wholesalers no more than

^{1/} Memorandum on Milk Policy, presented to Parliament in May, 1942.

their requirements. National dried milk^{1/} is distributed at local Food Offices and Welfare Centers. National household milk powder^{2/} is obtained from the retailer with whom the consumer is registered for sugar, and supplies to retailers are based on the number of registrations for sugar, with an allowance for unregistered customers. Condensed milk is available on points, ranging from 4 to 10 points per container depending on the size of the container.

(a) Priority Consumers - The new milk supply scheme provides specified quantities of milk for certain priority consumers and establishments:

Priority Consumers:

Children holding ration book R.B.2 (under 5 years of age)
- 7 pints per week.

Children holding ration book R.B.1 (over 5 years of age)
up to the age of 18 - $3\frac{1}{2}$ pints per week.

Children holding ration book R.B.1 (over 5 years of age)
up to the age of 14, who are unable to attend school,
but for whom no priority allowance has been authorized on
account of illness - 5 pints per week.

Invalids - up to 14 pints per week depending on conditions

Expectant mothers - 7 pints per week.

Children absent from school on account of illness - 1 pint
per day on presentation of a doctor's certificate at the
local Food Office.

Infants under 12 months of age - 14 pints per week, of which
the equivalent of 7 pints may be taken in the form of
National Dried Milk.

Priority Establishments:

Hospitals - hospitals, maternity homes, convalescent
homes, sanatoria, and similar establishments other
than mental hospitals - 5 pints per resident per
week, or such other quantity as may be authorized
by the Ministry.

1/ Full cream dried milk.

2/ Spray-dried skim milk.

Schools - boarding schools, orphanages and similar establishments of a residential nature, school canteens, and non-residential war-time nurseries - 7 pints for children under 5 years of age, $3\frac{1}{2}$ pints for children 5 to 18.

Priority Consumers other than Domestic Consumers:

Schools and war-time nurseries - (1) grant aided schools, nursery schools, and war-time nurseries and certain centers eligible to purchase milk under the Milk in Schools Scheme - $\frac{2}{3}$ of a pint per child per day (up to 1 pint if $\frac{1}{3}$ of a pint is provided free by the Local Education Authority). Grant aided nurseries, schools and non-residential war-time nurseries may be authorized to obtain up to 1 pint per day per child.

(2) Private and other non-grant aided schools - $\frac{2}{3}$ of a pint per day.

Workers in workshops and factories - Certain classes of workers designated by the Ministry may obtain milk in such quantity as may be authorized from time to time.

Non-priority establishments may obtain milk for resident priority domestic consumers in an amount that each priority consumer is entitled to receive.

Priority supplies for milk are issued in accordance with an authority on a special form R.G.48 in the case of infants, children unable to go to school, invalids, and expectant mothers. No special form is required for supplies for other priority consumers. Special authorities are required in the cases of grant aided and non-grant aided schools, and war-time nurseries, and workers in workshops and factories.

(b) Non-priority Consumers - Non-priority consumers are not guaranteed a specified quantity of milk, but share equitably in supplies in excess of priority needs. The present non-priority domestic allowance of two pints per week will probably continue in force until early next spring, and winter transport difficulties may reduce supplies below this level from time to time in certain areas. However, the supply of milk powder will be larger this year than last, and more condensed milk will be available on points from the middle of November. Household milk equal to 72 million gallons of liquid milk will be distributed, and each priority and non-priority consumer is entitled to a tin every eight weeks, each tin being equivalent to four pints of liquid

milk. Sweetened condensed milk equal to 16 million gallons of liquid milk will be distributed through shops.

Milk Allowed to Catering Establishments - Liquid and processed milk in varying amounts is allowed to different categories of catering establishments, canteens, training centers, camps, etc., as follows:

Milk Allowance to Catering Establishments,
as of November 22, 1942.

Liquid Milk:1/

Normal catering allowance	3 pints per 100 hot beverages. <u>2/</u>
Category A, Industrial Group	3 pints per 100 hot beverages. <u>2/</u>
Category B, Industrial Group	3 pints per 100 hot beverages. <u>2/</u>
Voluntary Service Canteens, Groups A and B.	3 pints per 100 hot beverages. <u>2/</u>
School Canteens and Feeding Centres or Wartime Nurseries.	7½ pints per 100 hot beverages.
Youth Service Centres, and Girls' Training Corps, including the Women's Junior Air Corps and the Girls' Naval Training Corps, Categories A and B.	3 pints per 100 hot beverages. <u>2/</u>
Sea Cadet Corps, Army Cadet Force, Air Training Corps and Clubs certified by Ministry of Labour Welfare Officer.	3 pints per 100 hot beverages. <u>2/</u>

1/ Non-priority establishments in rural areas and Youth Service Centres which have hitherto obtained all their supplies in the form of liquid milk will in future have to take part of their supplies in the form of processed milk.

2/ Temporary reduction. Allowance formerly 7½ pints per 100 hot beverages.

Liquid Milk (contd.)

Camps for Schoolboys, Schoolgirls or Stu- dents employed in agricultural or forestry work.	5½ pints per person under 18 per week. 3 pints per person over 18 per week.
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Processed Milk:

Full cream unsweetened:

Normal catering allowance	1 tin per 70 hot beverages.
Category A, Industrial Group	1 tin per 70 hot beverages.
Category B, Industrial Group	1 tin per 70 hot beverages.
Voluntary Service Canteens, Group A.	1 tin per 70 hot beverages.
Youth Service Centres, and Girls' Training Corps, including the Women's Junior Air Corps and the Girls' Naval Training Corps, Categories A and B.	1 tin per 70 hot beverages.

Roller Skim Milk Powder:

Normal Catering Allowance	2 ozs. per 100 hot beverages and 3/4 lb. per 100 breakfasts and main meals.
Category A, Indus- trial Group	2 ozs. per 100 hot beverages and 3/4 lb. per 100 breakfasts and main meals.
Category B, Indus- trial Group	2 ozs. per 100 hot beverages and 3/4 lb. per 100 breakfasts and main meals.
Voluntary Service Canteens, Group A.	2 ozs. per 100 hot beverages and 3/4 lb. per 100 breakfasts and main meals.

Roller Skim Milk Powder: (Contd.)

Youth Service Centres, and Girls' Training Corps, including the Women's Junior Air Corps and the Girls' Naval Training Corps, Categories A and B.	2 ozs. per 100 hot beverages and 3/4 lb. per 100 breakfasts and main meals.
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Note: "Main Meal" means a meal, other than breakfast, at which is served a course, other than sandwiches or snacks, containing a portion of meat, fish, poultry or game, or a substantial course corresponding to a meat course.

"Breakfast" means a substantial meal served during the normal breakfast period, e.g. a meal containing porridge, fish, bacon or sausage would count as a breakfast, but a roll and coffee would not, and would count as a tea.

4. The National Milk Scheme - Under the National Milk Scheme which was introduced July 1, 1940, free or cheap milk is provided children up to the age of five and expectant mothers. Prior to the introduction of the scheme, experimental plans had been instituted in several local communities for providing milk to children at reduced prices, testing this as a means of disposing of surplus liquid milk. Some local schemes for cheap milk were also in operation by local authorities under grants from the Government, and sometimes from private agencies. Under the National Milk Scheme, however, the Ministry of Food set up its own organization, with an officer at each local Food Office. The entire cost of the program is borne by the Ministry of Food, and accounts for the larger part of annual milk subsidy of £20,000,000.

One pint of milk per day is available to all children up to five years of age and to all expectant mothers at 2d. per pint, without regard to family income. Milk is provided free if the family income is below certain levels, that is if the combined income of the two parents does not exceed 40s. (27s. in the case of a family with only one parent). These limits may be increased by 6s. for each non-income-earning dependent member of the family and by allowances for any service pay retained by a parent serving in the Forces, any evacuation rent allotment to a mother or to a parent or adult in charge of a child, and any board and lodging for evacuees allowed to a billeting. Evacuated children for whom a billeting allowance for board and lodging is paid are eligible for cheap milk but not for free milk.

If liquid milk is not suitable for them, national dried milk^{1/} can be obtained in place of liquid milk for infants under 12 months, either free or at the rate of 1s.2d. per packet of 20 oz. (the equivalent of 2d. per pint for liquid milk).

Special grades of milk can be obtained under the Scheme if the additional cost is paid by the parent.

The National Milk Scheme is administered jointly with the fruit juices and cod liver oil scheme. The application form is obtained from the local Food Office, and must be countersigned by a responsible person who is acquainted with the family. The local Food Office, then issues an authorization form for getting the milk. Liquid milk is obtained from the dairyman with whom the child or mother is registered; national dried milk is distributed either at the local Food Office or Welfare Center. The distributor is recompensed by the Ministry of Food through adjustment of his account.

At the end of June, 1942, approximately 5,200,000 mothers and children, about 86 percent of those eligible, were benefiting under the Scheme.^{2/} Of this total, about 85 percent are children under 5 years of age. Table 4 shows the amount of milk distributed under the National Milk Scheme and previous schemes, by months.

5. Milk in Schools Scheme - In 1934, cheap or free milk was made available to children in schools by local educational authorities. The Milk in Schools Scheme originally applied only to certain types of schools, but now all schools may provide their pupils with milk. Each child is provided with one-third of a pint per day at a cost of $\frac{2}{3}$ d., although provision is made for supplying up to 1 pint per day free to children from needy families. Some schools provide more than one-third of a pint to their students. Milk provided under the Milk in Schools Scheme is in addition to the priority allowance of $3\frac{1}{2}$ pints per week to children of school age.

All schools do not operate under the Milk in Schools Scheme, and the amount of milk and the number of children taking part vary from locality to locality. About 3,800,000 children in England and Wales are taking milk under the Scheme, of which 309,000 receive free milk. According to the Board of Education ^{3/} in the early part of 1942, 78 percent of the children

^{1/} National dried milk is full cream dried milk as distinguished from "national household milk powder" distributed at retail, which is spray dry skim.

^{2/} The Milk Marketing Board estimates that at the end of November, 1942, there were 3,222,000 children and 250,000 expectant mothers eligible for milk under the National Milk Scheme, of which 2,588,000, or 75 percent, were receiving milk.

^{3/} Board of Education: "Statistics of Public, Elementary and Secondary School Pupils Receiving School Meals and Milk under the Milk-in-Schools Scheme in the Area of each Local Education Authority in England and Wales", (Cmd.6361) May, 1942.

in state-aided schools in England and Wales were receiving school milk. These figures refer to children in state-aided schools only, but other types of schools are numerically unimportant. In August, 1942, all types of schools were brought within the scope of the Milk in Schools Scheme. The amount of milk furnished under the Scheme since its inception is given in table 5.

6. Legislative Controls of Utilization of Milk - The legislative controls refer here to orders of the Ministry of Food under the broad authority of the Emergency Powers (Defence Regulations) Act of 1939, under which the Ministry is empowered to do almost anything it considers necessary in the defense of the country. As such, they are similar to orders of the War Production Board in the United States.

Under various orders, the Ministry of Food has gradually tightened control over prices and disposition of milk. We have already described the programs designed to increase the consumption of milk, part of which involve subsidization of consumption and regulation of the flow of milk to different consumers (priority distribution). In addition, the use of milk in numerous commodities has been restricted or eliminated by Government order. There is little reason to give the mass of detail involved in describing the chronology of these restriction orders. There is set forth below a summary of the present position:

1. Fluid milk for human consumption has first call on milk supplies. There has been a marked increase in milk consumption and the proportion of total milk production entering fluid consumption outlets (see table 6).

2. In September of 1940, the manufacture, sale, or purchase of any cream, or any cream cheese or ice cream containing cream, was prohibited. This prohibition is still in force. In December 1940 the use, and purchase and sale for use, of milk or milk products in the manufacture of synthetic cream was prohibited. ✓

3. Effective April 1, 1941, the use of milk, milk powder, or condensed milk in the manufacture of the following lists of foods was prohibited:

- ✓ (a) Bread.
- ✓ (b) Biscuits.
- ✓ (c) Buns, pastries, rolls, scones, and other similar articles.
- ✓ (d) Ice cream.
- ✓ (e) Soft cheese and curd cheese.

- ✓ (f) Sweetmeats (including sugar confectionery and chocolate).
- ✓ (g) Synthetic cream.
- ✓ (h) Cakes (added to above list May 9, 1941.)

The influence of the various programs to increase fluid milk consumption and restriction of use of milk in cooking and manufacture upon utilization of milk is evident from the data given in table 6.

Table 1 - Retail Prices of Milk, per quart, in the
United Kingdom, by months, 1938-1942

(September 1, 1939 = 100)

Month	1938		1939		1940		1941		1942	
	Pence	Index	Pence	Index	Pence	Index	Pence	Index	Pence	Index
Jan. 1	7	104	7	104	7	104	9	133	9	133
Feb. 1	7	104	6 3/4	100	7	104	8 3/4	130	9	133
Mar. 1	6 3/4	100	6 3/4	100	7	104	8 3/4	130	8 3/4	130
Apr. 1	6 3/4	100	6 3/4	100	7	104	8 3/4	130	8 3/4	130
May 1	6 3/4	100	6 1/2	96	6 3/4	100	8 1/2	126	8 3/4	130
June 1	6	89	6 1/4	93	6 1/4	93	8 1/2	126	8 1/4	122
July 1	6 3/4	100	6 1/2	96	7 3/4	115	8 3/4	130	8 3/4	130
Aug. 1	6 3/4	100	6 3/4	100	7 3/4	115	8 3/4	130	8 3/4	130
Sept. 1	6 3/4	100	6 3/4	100	7 3/4	115	8 3/4	130	8 3/4	130
Oct. 1	6 3/4	100	6 3/4	100	8	119	8 3/4	130	9	133
Nov. 1	7	104	7	104	8	119	9	133	9	133
Dec. 1	7	104	7	104	8	119	9	133	9	133
Unweighted Average	6 3/4	100	6 3/4	100	7 1/2	111	8 3/4	130	8 3/4	130

Source: Ministry of Labour Gazette.

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Table 2 -- Annual Producer Prices for Liquid and Manufacturing Milk and Producers' Pool Prices, England and Wales, 1933/34-1941/42.

Year	Regional Liquid Milk Prices	Average Price of manufacturing Milk	Producers' Pool Prices
Pence per gallon			
1933-34	14.01	4.96	11.83
1934-35	15.09	4.81	11.99
1935-36	15.26	4.95	11.48
1936-37	15.26	5.75	11.99
1937-38	16.26	6.88	12.92
1938-39	16.26	6.60	12.95
1939-40	17.00	9.69	15.34
1940-41	22.59	12.66	18.98
1941-42	23.25	14.03 1/	21.43 1/

1/ Provisional

Source: Milk Marketing Board.

Table 3 - Guaranteed Prices to Producers for all Milk,
by regions, by months, October, 1942 - March, 1943.

Region	Oct.	Nov.	Dec.	Jan.	Feb.	March
Pence per imperial gallon						
1. Northern	26	30 ¹ / ₄	31 ¹ / ₄	31 ¹ / ₄	30	26 ¹ / ₄
2. North-Western	26	30 ¹ / ₄	31 ¹ / ₂	31 ¹ / ₄	30	26 ¹ / ₄
3. Eastern	26	30 ¹ / ₄	31 ¹ / ₂	31 ¹ / ₂	30 ¹ / ₄	26 ¹ / ₂
4. East Midland	26 ¹ / ₄	30 ¹ / ₄	31 ¹ / ₂	31 ¹ / ₂	30 ¹ / ₄	26 ¹ / ₄
5. West Midland	25 ³ / ₄	30	31 ¹ / ₂	31 ¹ / ₄	30	26 ¹ / ₄
6. North Wales	25 ³ / ₄	30	31 ¹ / ₂	31 ¹ / ₄	30	26 ¹ / ₄
7. South Wales	25 ³ / ₄	30	31 ¹ / ₄	31 ¹ / ₂	30 ¹ / ₄	26 ¹ / ₂
8. Southern	26 ¹ / ₄	30 ¹ / ₄	31 ³ / ₄	31 ¹ / ₂	30 ¹ / ₄	26 ¹ / ₂
9. Mid Western	25 ³ / ₄	29 ³ / ₄	31 ¹ / ₂	31 ¹ / ₄	30	26 ¹ / ₄
10. Far Western	25 ³ / ₄	29 ³ / ₄	31 ¹ / ₄	31 ¹ / ₄	30	26 ¹ / ₄
11. South-Eastern	26 ¹ / ₄	30 ¹ / ₄	31 ³ / ₄	31 ³ / ₄	30 ¹ / ₂	26 ³ / ₄

Source: Farmers Weekly, August 28, 1942.

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Table 4 - Amount of Milk Distributed under Free or Cheap Milk Schemes 1/, England and Wales, by months, 1936-1942

Month	1936	1937	1938	1939	1940	1941	1942
1,000 gallons							
Jan.		28	45	52	24	8,422	8,946
Feb.		29	42	48	27	8,018	9,021
Mar.		34	47	53	32	9,090	10,250 ^{2/}
Apr.		34	47	51	32	8,286	9,000 ^{2/}
May		38	49	53	34	9,376	9,800 ^{3/}
June		38	48	50	33	9,252	9,700 ^{3/}
July	7	38	49	52	1,055 ^{2/}	8,833	9,900 ^{2/}
Aug.	19	37	49	52	6,496	9,460	10,000 ^{3/}
Sept.	21	36	49	48	7,668	9,359	9,700 ^{3/}
Oct.	24	42	50	26	7,433	9,020	
Nov.	25	43	50	26	8,057	9,405	
Dec.	27	45	52	28	8,661	9,977	
Total	123	442	577	539	39,552	108,558	86,317 ^{4/}

1/ Experimental Cheap Milk Scheme (July 1936-September 1939), Welfare Scheme (October 1939-July 1940) and National Milk Scheme (July 1940-September 1942).

2/ Includes 19,000 gallons sold under the Welfare Scheme.

3/ Provisional.

4/ 9 months.

Source: Milk Marketing Board.

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Table 5 - Number of School Children Participating
in the Milk in Schools Scheme and
Amount of Milk Consumed Annually,
1934/35-1941/42.

Year	Average Number of School Children Participating 1/	Amount of Milk Consumed Annually
		<u>Gallons</u>
Pre-scheme estimate	900,000	8,000,000
1934-35	2,518,000	22,854,000
1935-36	2,431,000	21,920,000
1936-37	2,544,000	23,103,000
1937-38	2,866,000	25,950,000
1938-39	2,836,000	25,879,000
1939-40	2,331,000	21,565,000
1940-41	2,750,000	26,696,000
1941-42	3,811,000 2/	37,160,000 2/

1/ Assuming 1/3 pint per school day per child.

2/ Provisional.

Source: Milk Marketing Board.

Table 6 - Sales and Utilization of Milk in England and Wales, 1933/34-1941/42

Year Oct.-Sept.	Total Sales of Milk				Utilization of Manufactured Milk							
	Liquid	Mann- facture	Total	Butter	Factory Cheese	Farmhouse Cheese	Soft Cheese	Milk Powder	Condensed Milk	Prosh Cream	Other including Ice Cream	Other Goods
Millions of gallons												
1933-34	642.8	212.8	855.6	41.5	62.1	18.3	-	8.5	40.2	32.8	5.5	3.4
1934-35	665.2	315.7	980.9	83.7	91.4	14.0	1.2	13.0	57.7	41.4	10.3	3.0
1935-36	663.8	360.1	1,023.9	120.7	88.7	17.7	1.1	13.8	63.6	39.3	11.4	3.8
1936-37	681.1	308.8	989.9	101.0	58.1	19.6	1.1	8.5	62.6	43.0	10.9	4.0
1937-38	752.2	310.9	1,063.1	77.1	52.5	23.8	1.1	13.6	80.5	46.6	11.3	4.4
1938-39	766.8	351.9	1,118.7	101.3	66.3	20.8	1.1	17.2	81.0	48.9	11.9	3.4
1939-40	788.8	281.9	1,070.7	71.2	55.8	15.5	0.3	15.2	82.6	27.1	8.3	5.4
1940-41	926.3	118.6	1,044.9	18.9	46.4	9.1	0.1	12.2	27.4	-	-	4.5
1941-42 1/2	976.8	107.7	1,084.5	28.0	27.3	5.3	-	12.8	32.0	-	-	1.8

1/ Provisional

Source: Milk Marketing Board.

